The Conference Report expands the protections provided to ''innocent spouses'' who find themselves liable for taxes, interest, or penalties because of actions by their spouse about which they had no knowledge and could not have reasonably expected to know.

I remain concerned about the provision included in the Conference Report that shifts the burden of proof from the taxpayer to the IRS in court if the taxpayer complies with the Internal Revenue Code and regulations, maintains required records and cooperates with IRS requests for information. This provision could give comfort to a small number of Americans who will do anything to avoid paying their taxes but may make the system of tax collection even more complicated.

I support the idea of expanding every American's ability to save for retirement and I was a cosponsor of the Roth IRA bill to promote savings for every American. However, I am concerned that the proposed changes to the IRS included in the Conference Report are being paid for not by reducing spending or by eliminating an unnecessary corporate tax break, but instead by giving a tax reduction to allow some elderly taxpayers to convert their existing Individual Retirement Accounts into Roth IRAs. The Joint Committee on Taxation estimates that this tax change will not provide enough revenue to cover the cost of IRS reform after the year 2007. I would have preferred that a more suitable offset were included to pay for the important changes in this Conference Report and I believe that this offset should have been included in a tax bill.

Americans merit an efficient and a respectful government. In the course of history, we have fought for freedom from despotic bureaucracies. At the essence of our democracy is our right to alter any public institution which fails significantly to deal respectfully and competently with American citizens. I believe the changes this legislation will make will regain the balance that has been lost in the relationship of the taxpayers to the IRS while permitting the IRS to do the difficult job it was created to do.

Mr. D'AMATO addressed the Chair.

The PRESIDING OFFICER. The Chair recognizes the distinguished Senator from New York.

Mr. D'AMATO. Mr. President, first, I would like to thank my colleague, who has been waiting so patiently, for giving me the opportunity of sharing some thoughts with respect to the IRS reform package. I assure you I will keep my remarks to a minimum.

But I would like to congratulate the manager of the bill, the chairman of the Finance Committee, Senator ROTH, and the ranking member, my friend, the distinguished senior Senator from New York, Senator MOYNIHAN. They have done an outstanding job. I would like to commend Senator BOB KERREY for his work. His work truly has helped bring together the Senate and the Finance Committee in a way in which we can pass this legislation that will be helping millions of taxpayers and change, I think, the culture—the culture—in which the IRS has been operating.

Indeed, the litany of witnesses and stories—anecdotal and otherwise—that demonstrated that there seemed to be a pattern that none of us could be proud of—the abuse of the little guy, not the big corporate giant, but the small business entrepreneur, the average-day citizen who lived in fear and, indeed, tyranny, and in some cases was rampant tyranny. And in no case was it worse than as it related to the innocent spouse. And every year approximately 50,000 cases were opened. And the revenuer was after a spouse who had little, if anything, to do with not paying their fair share of taxes—innocent of the fact—and in 90 percent of the cases they were women. They signed a joint return, and in some cases didn't even sign a return. We had some cases where their signature was forged, but we were so desperate for money, they were hunted down. Indeed, some had to give up their jobs and some had to live in fear, and some even left their spouses, their new spouses because they were afraid that the new spouse and his family would have the revenue agent after them. Horrendous. Incredible.

I take this opportunity to salute a courageous person who came and testified before our committee, a citizen of New York, Beth Cockrell, who epitomized this tragedy and whose case went all the way up to the Supreme Court. And because of the manner in which the law was written, why, the court ruled against her. But nonetheless—nonetheless—she is a person who was abused by the revenue code and the agents who pursued her.

Indeed, now they will be free, hundreds and hundreds of thousands—mostly women—who have lived for years with open cases against them, who had accumulations of interest and penalties, in some cases that go into the hundreds and hundreds of thousands, if not millions, of dollars, and they can hopefully now begin to resume a more normal life and clear away that pattern of abuse with which they have had to live. Hundreds of thousands will be free. And, yes, tens of thousands on a regular basis no longer will have to face this because they were married, and someone—their mate—did not pay his or her proper taxes, they were then held responsible. They would be totally innocent and unaware of this fact.

I have heard colleagues speak to many issues in terms of what this bill does. I think it is important so the culture, hopefully, will be changed.

I think one of the most significant provisions, one that I was proud to author along with Senator GRAHAM of Florida and Senator MOYNIHAN, the Innocent Spouse Relief Act of 1998, a bill that would give protection to innocent spouses, and is supported by all of our colleagues, will now be the law of the land, and those who are innocent will no longer have to live in fear for the actions of someone else.

I thank my colleague for giving me this opportunity, Senator MCCAIN of Arizona, to make these remarks.

I yield the floor.

The PRESIDING OFFICER. The Chair recognizes the Senator from Arizona.

Mr. MCCAIN. I ask unanimous consent to address the Senate as in morning business.

The PRESIDING OFFICER. Without objection, it is so ordered.

UNITED STATES RELATIONS WITH CHINA

Mr. MCCAIN. Mr. President, our relationship with the People's Republic of China is perhaps the most complex of any within the realm of foreign policy. Absent the scale of confrontation the United States experienced with the Soviet Union throughout the Cold War, U.S. diplomacy must, for the foreseeable future, walk a very fine line between cooperation and challenge with the world's most populous nation. The very nature of the Soviet threat provided a level of clarity absent in our attempts at formulating a long-term policy for dealing with China. There is no justification for a policy of containment when there is no reason to believe that Chinese foreign policy is inherently expansionist. Indeed, there is no reason to believe that China's external ambitions extend beyond those with which we are already familiar: island chains in the South China Sea and the most dangerous issue of all dividing our two countries, the status of Taiwan.

The complexity inherent in U.S.-China relations simply allows for neither the demonization of China, as many here would have it, nor the kind of alliance we enjoy with our closest allies. The issues are too varied, and the emotions surrounding them run too deep. The issues with which the United States takes exception relative to China, especially in the area of human rights and religious persecution, are too central to our values as a nation for us to ignore. With every dissident thrown into prison, for every item produced with forced prison labor, for the memory of those killed in Tiananmen Square, those charged with the conduct of American foreign policy must take the government in Beijing to task and demand, not ask, a measure of justice none of us really expects to materialize soon enough. And therein lies the dilemma we face in dealing with China: We demand of it something it has never had—freedom.

President Jiang Zemin made clear the high priority his government places on social stability at the expense of personal liberty. President Clinton, to his credit, offered an articulate defense of the emphasis the United

States places on freedom, and he placed it squarely in the context of an emerging world power struggling with the dichotomies of economic development and dictatorship. Economic freedom cannot forever coexist with authoritarian dictates in the political, social and cultural realms.

The kind of technological innovation and rapid transition from laboratory to marketplace common to advanced industrialized countries is not possible when individual freedom is constrained and lacking essential legal protections. China's poor record on protection of intellectual property is symptomatic of this phenomenon. Furthermore, that it views religious and political freedom as a threat is a sign that it has some distance to go before it can join the community of nations represented in the G–7, as no nation can reach its full potential that fears the free expression of ideas by its own people.

To a very large degree, the ongoing controversy involving technology transfers to China has its seeds in the inability of dictatorial societies to draw upon reservoirs of talent that cannot be created where the flow of information is tightly controlled and where the kind of intellectual exchanges that resulted in the great technological innovations of the 20th Century are constrained. It is no accident that the wealthiest nations on Earth are those that, since the Second World War, have pursued market economies within the framework of democratic forms of government. Japan and Singapore are completely lacking in natural resources, yet enjoy among the highest standards of living in the world. The Asian economic crisis is a serious warning of the need to reform certain government policies and business practices, but the accomplishments of the economic systems still warrant respect.

President Clinton's trip to China has to be viewed within the context of what could realistically be expected of China. In one significant respect, his trip was a success. The access afforded him to the Chinese public was unprecedented, and the President did a fine job of expressing the importance of democratic values to the Chinese people. He further deserves gratitude for his denunciation of the Tiananmen Square massacre, an event of singular importance for post-Cold War relations between the two countries. The events of May and June 1989, occurring as they did while the central front of the Cold War was undergoing dramatic transformations that would reshape most of the world, were a sad reminder of the extremes to which governments that do not rule with the consent of the people will go to maintain their hold on power. By conveying the message directly to the Chinese people that the leader of what has historically been known as the ''Free World'' condemns the events of 4 June 1989, President Clinton communicated to pro-democracy elements in China the vital message that the United States supports their efforts.

To the extent the President is criticized for a mission for which the only success was symbolic, it must be admitted there is little of substance to show for the effort. It is apparent that his sights were set low, and his achievements accordingly modest. To be fair, the kinds of change we hope to witness in China will not materialize over night; China is a country that thinks in terms of its thousands of years of history, and that history is replete with repression, foreign invasion and civil war. It is a deeply scarred nation, neither willing nor able to lose sight of its legacy of exploitation at the hands of others. But China today stands on the brink of becoming one of the world's premier powers and, as such, must understand that more is expected of it. The role it seeks to play, regionally and globally, must be firmly rooted in a moral foundation in which the worth of the individual lies at the center of its system of governance. Repression is alien to such a system, as is the insecurity all too often manifested in expressions of external aggression. If its goal is to instill in its neighbors a fear of its looming shadow, all it will have to show for its efforts is an element of regional hegemony in a region where countries have fought ferociously to resist such intimidation. It will then suffer economically, with the risk of social instability that President Jiang emphasized is one of his greatest concerns.

The areas of trade, proliferation, the status of Tibet, and the future of Taiwan all remain largely unresolved—the latter dangerously so. The President's rejection of Taiwanese independence is consistent with previous Administration statements and U.S. policy going back to 1972, but only if loosely interpreted. United States policy remains ''one China,'' but the context in which the President's statement was made and the manner in which it was declared were painfully close to resolving the issue of Taiwan's status by fiat and in Beijing's favor.

Taiwan is a complex country. It is torn internally between an historically indigenous Formosan population that claims independence from mainland China, and the large segment of the population that represents the mass migration from the mainland following the communist victory in 1949. The latter claims to be the legitimate government of all of China. The reality on the ground, of course, does not allow for a policy predicated upon such a claim. To have reaffirmed as the President did the so-called ''three noes'' policy, however, served only to exacerbate concerns in Taiwan about its security—legitimate concerns irrespective of where one stands on the issue of its independence—while possibly emboldening Beijing. Given how close our two nations came to armed confrontation in March 1996 over Taiwan's security and right to exist as a democratic country, a more sensitive articulation of U.S. policy was in order.

Since coming to Congress, I have been a staunch advocate of free trade. The unprecedented period of economic growth that the United States has experienced is owed in no small part to our level of trade. We cannot and should not, however, expect the American public to countenance a level of Chinese imports that is not reciprocated. Trade deficits that result from the natural dynamics of free market mechanisms should not be feared; deficits that occur as a result of systematic imposition of barriers to free trade must be confronted. In this respect, the President's trip was an abject failure. U.S. companies must have unfettered access to the Chinese market, and ought not be compelled to compete with companies owned by the Chinese military, which comprise a disappointing number of those in the southern economic zone.

On the extremely contentious issue of technology transfers, an entirely separate discussion is warranted to do it justice. At issue as far as U.S. exports are concerned is dual-use technology that, by its nature, presents considerable regulatory difficulty. As we in the Congress press the Department of Defense to make more use of commercial technologies, we should not be surprised that the Chinese are doing precisely that. The Commerce Committee will be holding hearings into the export licensing process, and I am aware of the number of hearings held in both chambers of Congress by various committees. Suffice to say for now, though, that we need to get a better handle on this issue. For American companies, the stakes are high; for our national security, they are higher. The latter must take precedence. It is questionable whether the President agrees with that supposition.

This Administration's handling of export controls warrants close examination, as there is considerable evidence that dual-use technologies are finding their way into Chinese weapon systems. While I do not fear the kind of global confrontation with China that existed relative to the Soviet Union, I fear the threat to regional stability that can and will arise should Chinese military modernization enable it to project military power at the expense of its neighbors. And I fear for the future of Taiwan should China develop the means to militarily subdue that democratic bastion. China has a right to defend itself; it has a right to a modern army. The Pacific Rim is too fraught with tension, however, to ignore the regional and global implications of modernization untempered by moral or practical constraints.

In the area of proliferation, the outcome of the China summit is unclear. China's continued refusal to join the Missile Technology Control Regime augurs ill for our ability to rein in its

export of destabilizing military technologies. The recent nuclear detonations by India and Pakistan were testament to the dangers implicit in policies that seek to resolve border disputes through the brandishing of ever more destructive forms of weaponry. China's support of other countries' nuclear weapons programs is extremely dangerous. Its support of their development of the means of delivering those weapons is even more so.

The one true consensus in the realm of national security affairs is the danger of proliferation of weapons of mass destruction and their means of delivery. A cloud will continue to hang over U.S.-China relations until we are confident that China respects our concerns, as it expects us to respect its concerns. We should certainly not be exacerbating that problem through exports of our own to China that benefit its military-industrial complex. Administration policies in this regard deserve the close scrutiny they are now receiving.

China will always act in its self-interest. It will always view the world through the prism of its own unique history, and through its own unique culture. Such perspective does not excuse its repressive domestic policies, and U.S. policy ought not make allowances for those policies. We should be under no illusions that China will be a strategic partner; in all likelihood, it will not. It is a relationship that should be managed, and that should start from the premise that Chinese foreign policy will, at times, run counter to our own. Our export policy must take that into account, even if that comes at the expense of business.

Mr. President, it is sometimes said that the business of government is business. It is not. There is no constitutional prerogative for governmental intervention in the marketplace. There is a constitutional prerogative to provide for the common defense. As in any area of life, to some degree there is an element of balance that needs to be maintained. The current Administration's great failing is its inability to appreciate that fundamental requirement and to provide for the common defense. We should and do work with China for our mutual benefit. We must do so, however, without losing sight of the nature of the Chinese regime. President Jiang may prove an able leader; effusive praise usually reserved for Jeffersonian democrats, however, obscures the depth of the chasm that remains in the Sino-American relationship and the origins of the leadership of the Chinese Communist Party. That is not ideologically-driven rhetoric; it is a view of a dictatorial government through the prism of history.

I yield the floor.

Mr. WELLSTONE addressed the Chair.

The PRESIDING OFFICER. The Senator from Minnesota.

Mr. WELLSTONE. Mr. President, I thank my colleague from Arizona for his remarks. For a moment, I want to respond to some of what my colleague from Arizona said. He need not stay, but I did want to amplify on some of his remarks.

I have had the honor of being able to work closely with Congresswoman PELOSI, who I think has been a very courageous leader in the human rights area. I have worked with a lot of human rights organizations, and Wei Jingsheng and others in China, who have had the courage to speak up. I, too, want to give credit where credit is due. I think it is terribly important that the President speak out about human rights—terribly important. I think it was perhaps even more important that this was on television and radio and people in China had an opportunity to hear this discussion.

I also believe, however, that really the question is, What next? I think that is really the question in regard to the whole issue of weapons of mass destruction and exporting of technology—dangerous technologies—in regard to trade. I think last year China exported something like $40 billion worth of products to our country and we exported $15 billion to China. That is clearly a policy that doesn't serve the people in our country well at all.

I think also in the human rights area, which is very near and dear to my heart, I wish the President had met with some of the human rights advocates in China. I wish he had met with some of the families of the victims of Tiananmen Square or, for that matter, of those who are now in prison. But most important, on the ''what next'' part, I really hope that we will see some changes. There are, at minimum, some 2,000 men and women in prison in China just for the practice of their religion or because they have spoken out; many have spoken out for democracy, which is what we cherish in our country. We just celebrated 222 years of our noble experiment in self-rule. Those prisoners of conscience should be released.

We meet all the time in our country very courageous men and women, now living in the United States of America. Many of them can't go back to China. They have been ''blacklisted.'' They should be able to go back to their country. It is not enough to say, because the Government released Wei Jingsheng, who served 16, 17, 18 years in prison because he had the courage to stand alone and to speak out for democracy, that this represents progress, because he is now in exile. He can't go back to his country to see his family, to see his loved ones.

Quite clearly, the discussion about Tibet was good, but what we absolutely have to see are some negotiations with the Dalai Lama, a specific timetable to put an end to what has been absolute pressure on the people in Tibet. Last year, things got worse in Tibet. There has been no improvement whatsoever in human rights. Every time I have an opportunity to speak out about human rights on the floor of the Senate, I don't miss that opportunity.

I say to the President that I appreciated someone who was pushing and pushing the President to speak out on human rights. I am glad he did. I think the credit should be given to the President for raising a lot of other terribly important questions that deal with our national security and our national defense. I also believe, however, in the human rights equation, which I think should be part of the foundation of our foreign policy. The whole way we need to measure the success of the President's trip is, what next? What next? The proof will be in the pudding. We have to wait and see. We have to continue to press and press and press.

INTERNAL REVENUE SERVICE RESTRUCTURING AND REFORM ACT OF 1998—CONFERENCE REPORT

The Senate continued with the consideration of the conference report.

Mr. WELLSTONE. Mr. President, I know I am going to be joined on the floor in a moment. I had a chance to speak earlier today on the floor of the Senate. But unless there is some tabling motion—and there may not be opportunity for full debate and discussion—I told my colleague from Washington that I would just begin to speak about an issue that she is going to raise on the floor of the Senate. I guess the Senator from West Virginia, Senator ROCKEFELLER, will also speak to this because he has been raising this question over and over again. The three of us really have focused on this.

This, again, has to do with what I talked about earlier today on the floor of the Senate—compensation to veterans with tobacco-related illnesses.

There was the hope on the part of the veterans community—the Chair, I think, would be interested in this—that there would be compensation to veterans having to do with addiction to tobacco. That is to say, in many ways it was handed out like candy. These veterans say, ''Look, if there are going to be rules for compensation, the same rules should apply to us.'' That seems fair to deal with some of the health care struggles and illnesses with which they have to deal.

That was the first preference. I want to go on to add—now I am speaking for myself—if not direct compensation for veterans, then at least the money that is saved by not providing that compensation should go to veterans. The Office of Management and Budget, I think, estimated savings of something like $17 billion. I personally think that is too high an estimate, but that is a whole other issue. But if not the $17 billion for compensation, then at least it seems to me that money ought to go to veterans' health care.

I could spend hours and hours—I will not—talking about all the ways in which veterans fall between the cracks. I actually found this to be, I think, probably the greatest education I have